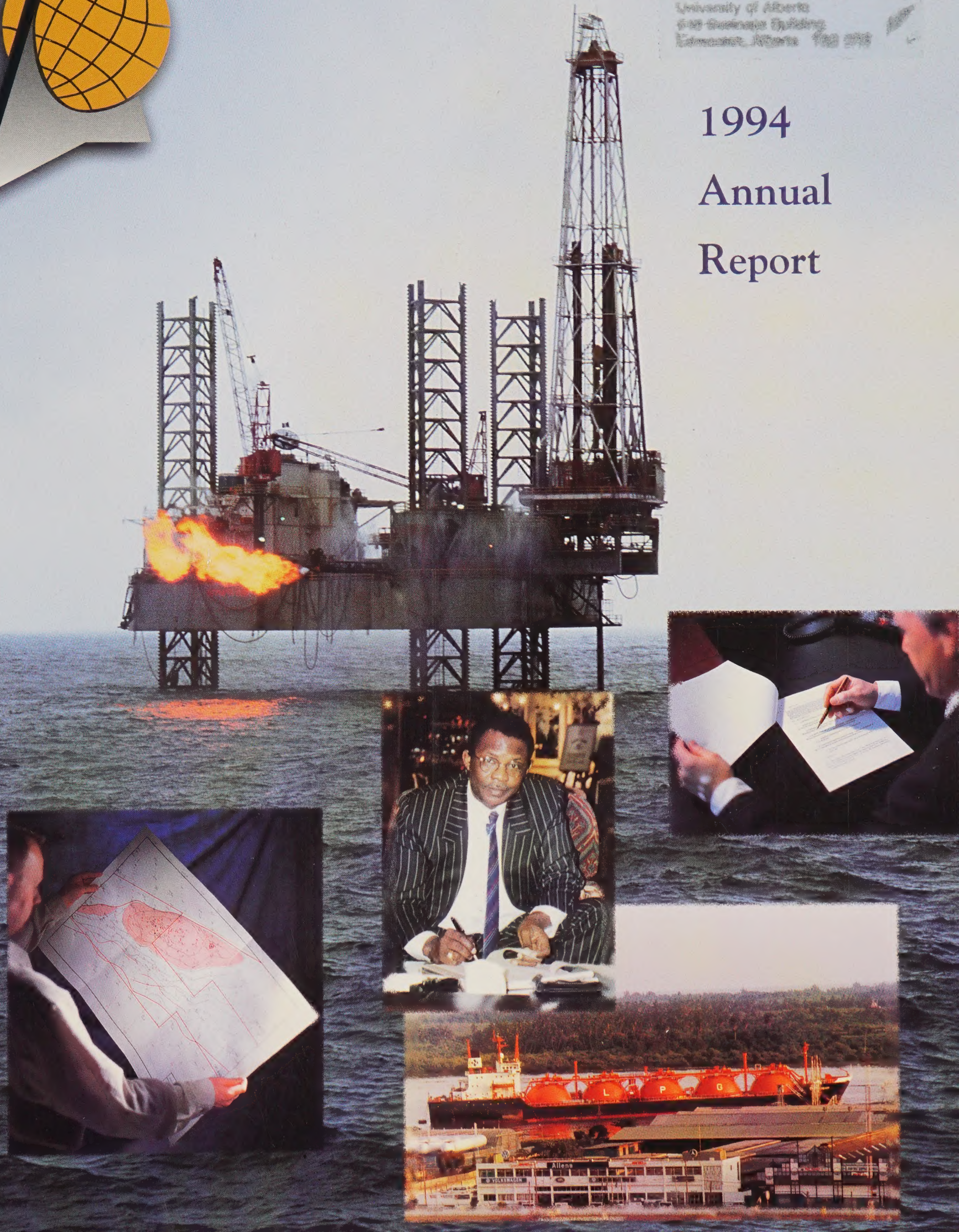
Abacan Resource Corporation

1994 Annual Report



Abacan
Resource Corporation
has come a long way in a short time by emphasizing on growth through exploration success on its Nigerian oil & gas concessions.

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Report to Shareholders

1994 has been a year of outstanding success in terms of exploration results which has significantly added to the Company's reserve base.

As projected, Abacan's strategy to explore the highly potential international arena, coupled with perseverance and commitment, was rewarded throughout the year with the discovery of hydrocarbons on the Company's OPL 469 concession.

This began in June of 1994, with the discovery of the corporations NGO #3 well, offshore Nigeria, West Africa. The NGO #3 well, drilled in the prolific Nigeria Delta on concession OPL 469, flow tested 8,000 barrels per day of oil and condensate.

The fall of 1994 was equally rewarding with the successful drilling of the NGO #4 appraisal well (directionally drilled from the NGO #3 platform to the south), which was completed and tested at 13,700 barrels per day of oil and condensate.

T. B. (Tunde) Folawiyo,
Director

Wade G. Cherwayko,
President and Director

Drilling results to date, have identified proved and probable recoverable reserves of approximately 141 million barrels of oil and condensate on the NGO structure of OPL's 469 and 237.

This discovery momentum continues with the planned development well NGO #5, with anticipated drilling activity beginning in December of 1994 and additional development wells to follow. Currently, Abacan is in the midst of fine-tuning a production strategy to bring its NGO field on-stream in the shortest time frame possible. Work has already been initiated to put an Early Production System (EPS) in place for initial production, which enables the existing wells to be produced simultaneously to the execution of field development activities –resulting in the generation of cash flow for development.

Abacan's activities are focused in West Africa, with Nigeria being the primary area of interest, where an acreage portfolio comprised of development, appraisal and high-risk/high-reward projects have been built. To date, four concession blocks have been acquired by way of Joint Ventures with Indigenous Nigerian Companies, and an option has been signed on one additional block, totaling over 1.75 million acres. Complementing this, new concession opportunities are continuously being offered and reviewed.

It is not an understatement to say that Abacan's success in Nigeria is owed to it's Indigenous Nigerian Partners, without whom, there would be no opportunity to explore this prolific country. Abacan's Nigerian partners include Alfred James Petroleum Company Limited, Amni International Petroleum Development Company Limited and Yinka Folawiyo Petroleum Company Limited.

These Nigerian partners have provided Abacan with the foundation, expertise and logistical support which has been crucial to our discovery activities. By forming Indigenous Partnerships, Abacan has established a solid working relationship within Nigeria and with the Nigerian Government.

Abacan would like to take this opportunity to recognize and thank their Nigerian partners and the Government of Nigeria for all of their highly valued support and ongoing efforts on the Corporation's behalf.

The fourth calendar quarter of 1994 will see the continued development of the NGO field on OPL 469 and the adjacent OPL 237, with production commencing in the second calendar quarter of 1995. The first calendar quarter of 1995 includes plans for Abacan to shoot an infield seismic program on the offshore OPL 309 concession (to define a drilling location), with a first well planned for the second calendar quarter of the new year. Additionally, the corporation is evaluating their onshore concession block OPL 302, proceeding with their second calendar quarter 1995 plans for implementing a slim hole, stratigraphic test program. As well the Corporation is pursuing new, potentially profitable concession opportunities.

Abacan's financing for the 1994 fiscal year provided approximately \$7,000.000 to fund the corporation's ongoing exploration activities, with various financing options being considered for future development and exploration expenditures.

Abacan and its four other Canadian partners being Canadian Angus Resources Ltd., Canadian Industrial Minerals Corp., Canstar Ventures Corp. and Profile Capital Corporation have executed an agreement the effect of which will, if approved by the shareholders of each Corporation, result in the amalgamation of Abacan with its Canadian partners. The effect of the amalgamation will be consolidation of the combined Nigerian interests of the Corporations into Abacan. The amalgamation, which is scheduled to be completed in the first calendar quarter of 1995 will see shares of Abacan exchanged for shares of the other Canadian partners. Abacan believes that the amalgamation and consolidation of the Nigerian interests will be beneficial to all shareholders.

The commencement of production and further delineation of the NGO field and the drilling of highly potential exploration plays, combined with Abacan's ever-expanding field of industry experts and dedicated roster of personnel has placed the corporation in what is the most secure and potential position it has been in. Abacan is naturally projecting an even greater increase in shareholder value in 1995 than has been experienced in 1994.

The Board would like to express its sincere appreciation to Abacan's shareholders for all of the support and confidence they have always shown, and I personally wish to thank the Company's employees, officers, directors and our Nigerian partners for their dedication and effort.

On behalf of the Board,

W. Cherwayko

Wade G. Cherwayko
President

December 1, 1994

Nigeria

Nigeria is Africa's largest oil producer and a senior member of OPEC with proven crude oil reserves of approximately 20 billion barrels. This constitutes approximately 30 percent of Africa's proven oil reserves.

Nigeria's production levels are approximately 2 million barrels of oil and condensate per day. Nigerian crude is of high quality, with a low sulfur content and light gravity, which brings high prices on the world market.

Over the past four years, the Nigerian Government has moved aggressively to increase investment in the hydrocarbon sector. New incentives have encouraged large investments in oil and gas projects in Nigeria, with capital expenditures predicted to be approximately $15 billion in the next five years.

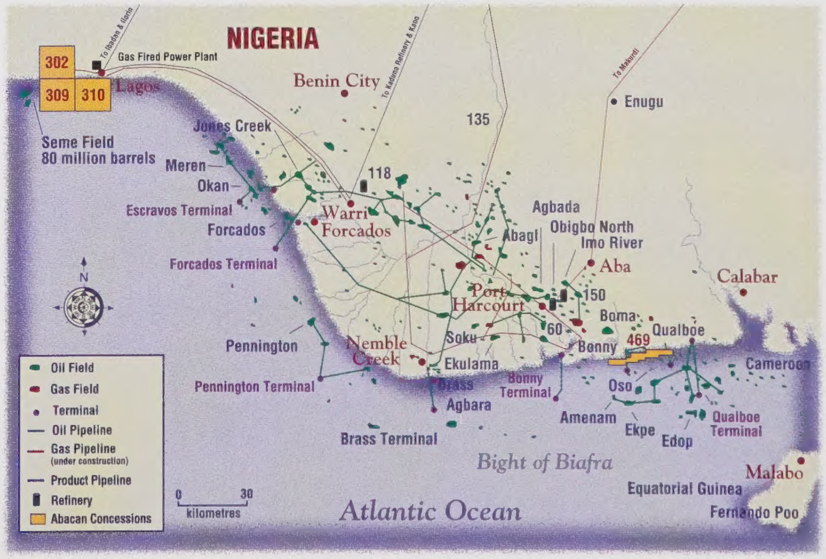
Exploration expenditures are coming from the well established majors, as well as new entrants into Nigeria such as Conoco/Dupont, Exxon, Amoco and BP/Statoil.

A significant amount of investments are also coming from Indigenous Nigerian Companies which are being allocated concessions. Abacan has formed Joint Ventures with such Indigenous Companies. By forming these partnerships, Abacan has been able to acquire highly potential exploration concessions amongst some of the country's most prolific fields, as well as to receive favorable contract terms.

Nigerian exploration started some 70 years ago, but it was not until the last 25 years that the oil and gas industry became very active. With a large number of major and multi-national oil companies producing and exploring in Nigeria, there is now a well established infrastructure.

Abacan is also extremely excited about the potential of the natural gas industry in Nigeria. Reserves are estimated at 100 Trillion Cubic Feet, placing Nigeria in one of the top ten countries for Natural Gas Reserves. Although the majority of Nigeria's gas is flared, recent projects have begun to make commercial use of this abundant resource. Some of these specific applications include fertilizer manufacturing, electrical power generation and Liquid Natural Gas (LNG) and Liquid Petroleum Gas (LPG).

The recently signed LNG project led by Shell will be the countries largest gas project at an estimated U.S.$4.3 billion. Gas deliveries are due to commence in early 1999. The Shell plant is located near the Bonny Island Terminal which is within ten kilometres of Abacan's NGO field on Concession 469 with estimated recoverable gas reserves in excess of 2 Trillion Cubic Feet.



Drilling operations
on the NGO Field, OPL 469.

Operations Review

Concession Block 469 & 237

Abacan's OPL 469 and 237 concessions lie within the Prolific Niger Delta Complex. The concessions are 6 kilometers offshore in shallow water depths. OPL 469 covers an area of 125,000 acres and OPL 237 some 50,000 acres. Abacan has identified four oil and gas prospects on concessions 469 and 237. In the immediate area around the concessions, several large fields have been developed, placing concessions 469 and 237 into a world-class production area.

Mobil's Oso Field with estimated recoverable reserves of 500 to 700 million barrels of oil and condensate, is just south of the concession.

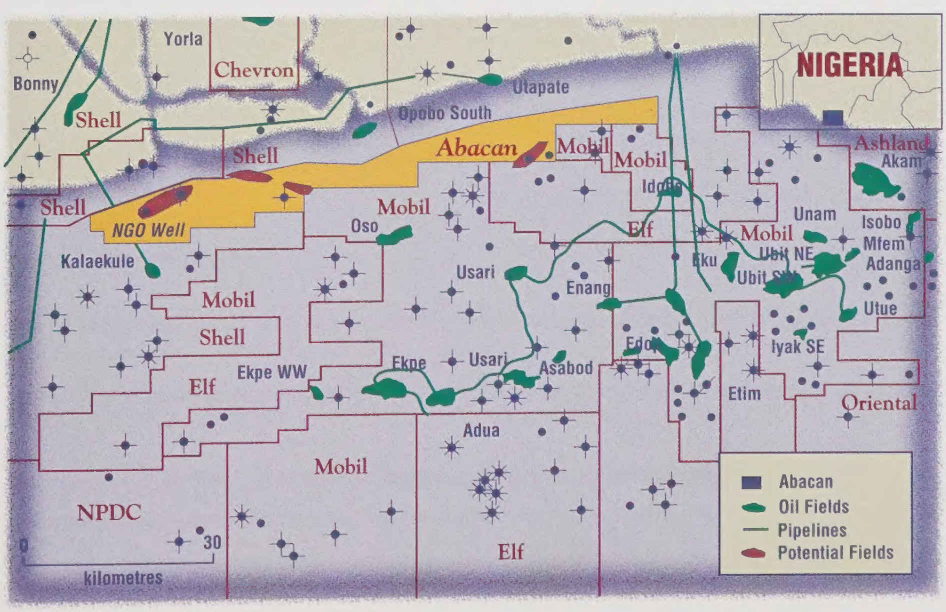
NGO Field

The NGO Field lies approximately 50% on OPL 469 and 50% on OPL 237. The trapping mechanism is a simple closure against a south-dipping growth fault. The fault is well defined by seismic. Four wells have been drilled to date on the NGO structure, NGO#1, #3 and #4 as well as KA#1.

KA #1, drilled by Shell in 1966, successfully penetrated gas zones "A" and "B" but was not able to penetrate the oil zones.

NGO #1 was drilled in 1973 and penetrated the gas and oil zones but was never production tested.

The first well drilled on OPL 469 by Abacan/Amni in July 1994 was NGO #3. NGO #3 was a significant oil/condensate discovery with over 300 feet of oil/condensate pay ("C" and "D" sands), and over 400 feet of gas pay in the "A" and "B" sands. The well tested at rates of over 8,000 barrels of oil and condensate per day from the "C" and "D" zones.



Drilling & testing operations on the NGO Field, OPL 469.

Operations Review

The second well by Abacan/Amni was NGO #4, drilled in October 1994, to test the southern limits of the NGO structure. It encountered 440 feet of gas pay ("A" & "B" sands) and 110 feet of oil pay ("C" sand). The well tested at 13,700 barrels of oil and condensate per day from the "C" sand.

Development of the NGO field is continuing with the NGO #5, which will commence drilling mid-December 1994.

An Early Production System (EPS) has been sourced and production is anticipated to commence in the second calendar quarter of 1995. The EPS will allow for the early commencement of production while the NGO field is being developed.

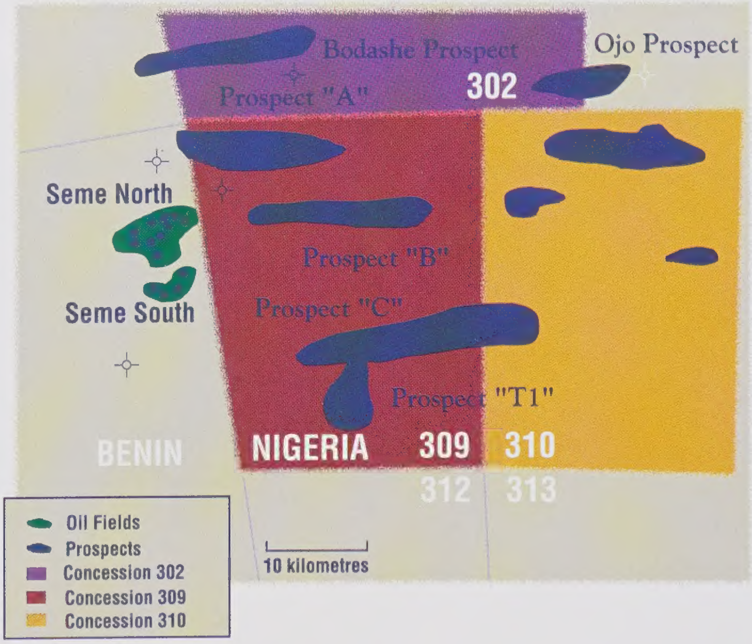
A pipeline will be run to deeper water (8 kilometers offshore from the NGO platform) to a permanently moored storage tanker.

Other Potential

A "3-D" seismic program has been proposed over NGO and is anticipated to be shot in the second calendar quarter of 1995 to further delineate its potential. The Okoro structure will be shot at the same time to unravel the potential of this complex structure, which is estimated to contain 60 million barrels of recoverable oil.

Concession Block OPL 302

Opl 302 is located onshore in the western portion of Nigeria in the Benin Basin. The concession covers an area of 420,000 acres. Abacan drilled its first well on OPL 302 in December 1993, to a depth of 2494 feet. Significant reservoir sands were penetrated with excellent porosity. Unfortunately, the sands were filled with fresh water and the well was abandoned. It is anticipated that these sands, when found against a significant trap, may contain major hydrocarbon accumulations. To further evaluate this block, Abacan is planning a slim hole stratigraphic drilling program, anticipated to commence in the second calendar quarter of 1995. This slim hole drilling program will delineate any structures and identify any hydrocarbon potential that may exist on OPL 302.



Drilling Operations OPL 302

Concession Block OPL 309 & 310

Opl's 309 and 310 are located offshore Nigeria in the Benin Basin. OPL 309 covers an area of 475,000 acres and OPL 310 some 500,000 acres. Abacan has acquired OPL 309 by way of a Joint Venture and has signed a seismic option on OPL 310. During 1994, Abacan was busy acquiring, processing and interpreting seismic data to identify possible drillable prospects on OPL's 309 and 310. A significant structural closure was identified on OPL 309 and Abacan is planning an infill seismic program to more clearly pinpoint a drilling location, with anticipated spudding of the well during the second calendar quarter of 1995.

OPL 309 is offset by the Seme oil field offshore Benin Republic, which produces from the Cretaceous Turonian sands. The field has produced 30 million barrels of oil to date and has estimated recoverable reserves of 80 million barrels. Abacan is extremely excited about the hydrocarbon potential in the Benin Basin.

Seismic Operations OPL 309/310

1993 Auditors' Report

To the Shareholders of **Abacan Resource Corporation**

We have audited the consolidated balance sheet of Abacan Resource Corporation as at July 31, 1993 and the consolidated statements of operations and deficit and changes in financial position for the seven and one-half months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 1993 and the results of its operations and the changes in its financial position for the seven and one-half months then ended in accordance with generally accepted accounting principles.

Antony Chittick Bleackley & Hanson

Chartered Accountants

Calgary, Alberta
November 2, 1993

1994 Auditors' Report

To the Shareholders of **Abacan Resource Corporation:**

We have audited the consolidated balance sheet of **Abacan Resource Corporation** as at July 31, 1994 and the consolidated statements of loss and deficit and changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at July 31, 1994 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

The consolidated financial statements as at July 31, 1993 and for the period then ended were audited by another firm of Chartered Accountants.

Deloitte & Touche

Calgary, Alberta
November 10, 1994

Chartered Accountants

Consolidated Statement of Loss and Deficit

For The Year Ended
July 31, 1994

dollars	1994	1993 (Note 1)
Revenue		
Interest and other	102,499	29,822
Expenses		
Amortization of goodwill	11,988	5,495
Depreciation	17,126	–
General and administrative	403,377	215,880
Interest	1,548	–
	434,039	221,375
NET LOSS	331,540	191,553
Deficit, beginning of year	191,553	–
Deficit, end of year	523,093	191,553
NET LOSS PER SHARE	0.02	0.02

Consolidated Balance Sheet

As At July 31, 1994

dollars	1994	1993
ASSETS		
Current Assets		
Cash	2,218,969	2,120,271
Accounts receivable	976,578	255,105
Prepaid expenses	7,992	1,300
	3,203,539	2,376,676
Fixed assets (Note 3)	46,716	–
Petroleum and natural gas properties (Notes 2 and 4)	9,579,271	3,847,834
Goodwill (Note 1)	102,410	114,398
	12,931,936	6,338,908
LIABILITIES		
Current Liabilities		
Accounts payable	92,915	93,302
Due to directors	–	12,070
	92,915	105,372
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	13,362,114	6,425,089
Deficit	(523,093)	(191,553)
	12,839,021	6,233,536
	12,931,936	6,338,908

APPROVED BY THE BOARD

Said Arrata

Director

W. Tewaryko

Director

Consolidated Statement of Changes in Financial Position

For The Year Ended
July 31, 1994

dollars	1994	1993
Cash provided by (used in):		
Operating		
Net loss	(331,540)	(191,553)
Add items not affecting cash		
Depreciation, depletion and amortization	29,114	5,495
Cash flow used in operations	(302,426)	(186,058)
Changes in non-cash operating working capital items	(118,697)	(226,453)
Cash used in operating activities	(421,123)	(412,511)
Financing		
Issues of share capital for cash	6,599,741	5,825,089
Less proceeds received after July 31, 1994	(689,642)	–
Issue of share capital for petroleum and natural gas properties	405,000	500,000
Issue of share capital on acquisition of subsidiary	–	100,000
	6,315,099	6,425,089
Investing		
Petroleum and natural gas properties	(6,766,436)	(3,847,834)
Fixed assets	(63,842)	–
Acquisition of net assets of subsidiary, net of cash acquired of $55,527	–	(44,473)
Proceeds on disposition of portions of interests in petroleum and natural gas properties	1,035,000	–
	(5,795,278)	(3,892,307)
NET CASH INFLOW	98,698	2,120,271
Cash position, beginning of year	2,120,271	–
Cash position, end of year	2,218,969	2,120,271

1. BUSINESS COMBINATION

Abacan Resources Corporation ("Abacan" or the "Corporation") issued 5,000,000 common shares to Abacan International Resource Management Inc. ("International") on February 11, 1993 in exchange for all of the issued and outstanding shares of Dahomey Resource Corporation ("Dahomey") (a Bahamian Company). International is wholly owned by the president of Abacan. As a result of this transaction, the former shareholder of Dahomey held the majority of the shares of the Corporation and, accordingly, the business combination has been accounted for as a reverse takeover with Dahomey as the deemed acquiror. These consolidated financial statements reflect the acquisition by Dahomey of Abacan and include the results of operations of Dahomey since incorporation on December 17, 1992 and of Abacan since February 11, 1993. Comparative financial statements are for the 7 month period ended July 31, 1993, since incorporation of Dahomey. The net assets of Abacan deemed to be acquired by Dahomey were as follows:

dollars	
Current assets	72,304
Goodwill	119,893
Current liabilities	(92,197)
	100,000

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Corporation's activities to July 31, 1994 entirely relate to the acquisition of interests in petroleum and natural gas concession blocks in Nigeria and to carrying out exploration and development activities on these concessions. The Corporation has not had any production to July 31, 1994, and exploration activities are proceeding to delineate oil and gas reserves. As a result of the Corporation's status, a ceiling test has not been performed. The ultimate recovery of the cost of petroleum and natural gas properties is dependent upon obtaining adequate financing to explore and develop the concessions, successful exploration and development activities and upon production of petroleum and natural gas in sufficient commercial quantities.

Consolidation

These financial statements include the accounts of the Corporation and its two wholly owned subsidiaries, Dahomey Resource Corporation and 474441 Alberta Ltd.

Fixed assets

Fixed assets comprise furniture, fixtures and equipment which are recorded at cost and are depreciated at 20% to 30% on the declining balance method.

Petroleum and natural gas properties

The Corporation follows the full cost method of accounting for petroleum and natural gas properties whereby all costs of exploring for and developing petroleum and natural gas reserves are capitalized. Costs include land acquisition costs, geological and geophysical costs, carrying charges on non-producing property, costs of drilling both productive and non-productive wells, production equipment, related overhead costs, and capitalized interest related to unproven properties and major development projects. Such costs, net of proceeds from minor disposals of property, are accumulated and will be depleted on a country-by-country basis using the unit- of-production method based upon estimated proved net reserves. In calculating depletion and depreciation, gas reserves will be converted to equivalent units of oil based on the relative units of revenue based upon year end prices. Costs of acquiring and evaluating unproved properties and major development projects are excluded from depletion and depreciation calculations until it is determined whether or not proved reserves are attributable to the properties, the major development projects are completed, or impairment occurs.

Gains or losses are recognized upon the sale or disposition of properties if proved reserves of those properties are significant in relation to the Corporation's total reserves.

Costs accumulated in each cost centre will be limited to the future net revenue from estimated production of proved reserves plus the value of unproved properties and major development projects. Costs accumulated in all cost centres will be limited to the aggregate future net revenues from estimated production of proved reserves plus the aggregate estimated future site restoration, general and administrative and financing costs and income taxes for all cost centres.

All the Corporation's petroleum and natural gas exploration, development and production activities are conducted jointly with others. These financial statements reflect only the Corporation's proportionate interest in such activities.

Provision for future site restoration
Earnings will be charged annually with a provision based upon estimated future site restoration costs on a unit-of-production basis over the life of the estimated proven reserves. Costs related to properties that are to be abandoned will be fully accrued when it appears probable that abandonment will occur.

Foreign exchange
Foreign currency transactions and balances of the Corporation and its integrated foreign subsidiary, Dahomey, are translated using the temporal method. Under this method, monetary assets and liabilities are translated at year end rates, and non-monetary assets and liabilities at rates prevailing at the transaction dates. Revenue and expenses are translated at the average rate for the year. Foreign exchange gains or losses on monetary assets and liabilities related to the petroleum and natural gas properties prior to production are capitalized as part of the cost of the properties.

3. FIXED ASSETS

dollars	1994	1993
Furniture and equipment	63,842	–
Accumulated depreciation	17,126	–
	46,716	–

4. PETROLEUM AND NATURAL GAS PROPERTIES

dollars	1994	1993
Petroleum and natural gas properties	9,579,271	3,847,834

The petroleum and natural gas properties are not in production at July 31, 1994. As a result, no depletion has been recorded. The company has not capitalized any general and administrative costs.

The company's petroleum and natural gas properties consist of interest in concession blocks in Nigeria held by Dahomey. The initial interests were acquired in June 1993 and August 1993 from Liberty Technical Services Ltd. ("Liberty") and International, which companies are wholly owned by the President of Abacan. The operation of the properties is subject to gross overriding royalties aggregating 6% of which 50% is payable to International.

Further interests were acquired in February 1994 from third party Nigerian companies. The corporation entered into agreements in May and June of 1994 whereby interests in properties were farmed out to four companies. As a result of the foregoing agreements, the net working interests held by Dahomey in the concession blocks principally are from 47% to 50% (27.0% to 27.5% net revenue interest) before payout and 18.8% to 20% (13.1% to 14% net revenue interest) after payout.

At July 31, 1994, Dahomey has remaining commitments to earn the foregoing interests in the concession blocks. Subsequent to the year end, the Corporation entered into a farm-out agreement related to the commitments on the concession blocks (Note 7).

5. SHARE CAPITAL

	Number of Shares	Stated Value *(dollars)*
Authorized		
Unlimited number of common shares and preferred shares issuable in series		
Issued		
Issued on acquisition of oil and gas properties	5,000,000	500,000
Acquired on acquisition of Abacan by Dahomey (Note 1)	2,763,912	100,000
Issued for cash, net of share issue costs of $156,806	3,200,000	1,443,194
Issued on exercise of share purchase warrants	1,600,000	1,040,000
Issued on exercise of agent's option	352,780	175,300
Issue of special warrants for cash, net of issue costs of $208,406 (Exercised and common shares issued)	4,499,994	3,166,595
Balances, July 31, 1993	17,416,686	6,425,089
Issued on exercise of agent's option	287,220	143,610
Issued on acquisition of oil and gas properties	450,000	405,000

Issue of special warrants for cash, net of issue costs of $63,731 (Exercised and common shares issued)	1,250,000	1,561,269
Issued on exercise of share purchase warrants, net of share issue costs $67,716	2,835,435	3,189,487
Issued on rights offering, net of share issue costs of $42,592	1,907,001	1,387,659
Issued on exercise of directors' options	500,000	250,000
Balances, July 31, 1994	24,646,342	13,362,114

Stock options

As at July 31, 1994, there were 1,920,000 common shares reserved for issue on exercise of stock options by officers and directors of the Corporation. These options may be exercised at prices ranging from $0.50 to $1.10 per common share and expire up to October 31, 1997.

Share and Warrant Issues

In April 1993, the Corporation filed an exchange offering prospectus to issue 3,200,000 units of the Corporation at a price of $0.50 per unit. Each unit consisted of one common share and one share purchase warrant. Holders of the share purchase warrants were entitled to purchase one common share of the Corporation by redeeming two warrants and paying an additional $0.65 per common share. All of the warrants were exercised prior to July 6, 1993.

The Corporation granted to the agent an option to purchase 640,000 common shares. The options were exercisable at a price of $0.50 per common share until April 7, 1995. The agent exercised 252,780 of the options in April 1993 and a further 100,000 of the options in June 1993. The balance of the option was exercised in 1994.

In July 1993, the Corporation issued 4,499,994 special warrants for net proceeds of $3,166,595. Each special warrant entitled the holder to obtain one common share of the Corporation and one-half of a share purchase warrant at no additional cost. Each whole share purchase warrant entitled the holder to acquire one additional common share of the Corporation for $0.90 at any time prior to June 30, 1994. In October 1994, the Corporation issued 1,250,000 special warrants for net proceeds of $1,561,269. Each special warrant entitled the holder to obtain one common share of the Corporation and one-half of a share purchase warrant at no additional

cost. Each whole share purchase warrant entitled the holder to acquire one common share for $2.00 on or before June 30, 1994. The Corporation received a final receipt for an exchange offering prospectus regarding the two special warrant issues in November 1993. The special warrants were exercised and common shares issued prior to July 31, 1994. Of the total share purchase warrants exercisable at $0.90, 2,210,435 share purchase warrants were exercised for proceeds of $2,007,203 and the balance expired. The 625,000 share purchase warrants exercisable at $2.00 were all exercised for proceeds of $1,250,000.

In February 1994, the Corporation made an offering of rights to acquire common shares to the Corporation's shareholders at $0.75 per common share, resulting in the issue of 1,907,001 common shares for net proceeds of $1,387,659.

6. INCOME TAXES

The Corporation has approximately $491,000 of non-capital losses available to be applied to taxable income of future years. The Corporation also has available for deduction at rates allowed under the Income Tax Act, $384,000 of oil and gas expenditures. The benefits of these losses and deductions have not been reflected in the financial statements. The non-capital losses will begin to expire in 1995 if not utilized to reduce future income taxes payable.

7. SUBSEQUENT EVENTS

Business arrangement

On September 28, 1994, the Boards of Directors of each of Canadian Angus Resources Ltd., Canadian Industrial Minerals Corp., and Canstar Ventures Corporation (the Farm-Out Companies) entered into a non-binding letter of intent providing for the amalgamation or amalgamation by way of arrangement of the Corporation with each of the respective companies. On September 28, 1994, the Boards of Directors of the Corporation and Profile Capital Corporation ("Profile") entered into a non-binding letter of intent providing for the purchase by the Corporation of all of the shares of Profile International Ltd., a wholly owned subsidiary of Profile, which holds all of Profile's interest in the Nigerian Concessions. Subsequent to this initial letter of intent, negotiations have been held, the effect of which is that Profile will also amalgamate with the rest of the companies under the court arrangement. The terms of the new letter of intent including Profile in the amalgamation by way of arrangement are presently being finalized. The amalgamation by way of arrangement is subject to shareholder approval of each of the respective companies and the approval of the Alberta

Court of Queen's Bench. It is intended that Canadian Industrial Minerals Corporation (presently a B.C. company) will continue into Alberta prior to the completion of the amalgamation. The arrangement contemplates that the shareholders of each of the Companies shall be issued shares in a company resulting from the arrangement in exchange for their common shares in each of the respective companies, all in accordance with pre-determined share exchange ratios. The completion of the arrangement will result in consolidation of the companies' interests in various Nigerian Concessions.

Material contract

On October 5, 1994, Abacan and Dahomey, together with the Farm-Out Companies (collectively, the "Group") entered into an agreement with Canadian Occidental Petroleum Ltd., ("CanadianOxy") to farm out a portion of their interest in the Nigerian Concessions. The terms of the agreement provide that CanadianOxy is required to fund the costs of drilling a predetermined number of exploration and development wells and to perform certain seismic operations upon all of the Nigerian Concessions. In order to acquire its full interest in the Nigerian Concessions, CanadianOxy is also required to fund a portion of the production facilities necessary to bring the wells into production. Subject to the extent of the expenditures made, CanadianOxy can earn between 10% and 60% of the Group's interest in all of the Nigerian Concessions. The agreement provides for an expenditure cap of U.S. $139 million for CanadianOxy to earn its maximum interest in the Nigerian Concessions.

The agreement also contemplates that, if certain conditions are not met by January 31, 1995, CanadianOxy may withdraw from the agreement, surrender any interests earned to date and obtain reimbursement of drilling and seismic costs incurred by it on the Nigerian Concessions. The agreement is subject to final approval by the CanadianOxy Board of Directors and to the approval of certain of the Group's Nigerian partners.

Corporate Information

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Ph: (403) 262-1220
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Registrar & Transfer Agent
Montreal Trust Company
411–8th Avenue S.W.
Calgary, Alberta
T2P 1E7

Auditors
Deloitte Touche
Calgary, Alberta

Solicitors
Ogilvie & Company
Calgary, Alberta

Bankers
Royal Bank of Canada
Main Branch
Calgary, Alberta

Royal Bank of Canada
Nassau, Bahamas

Subsidiary Companies
Dahomey Resource Corporation

Directors
Wade G. Cherwayko
Lagos, Nigeria

Said S. Arrata
Calgary, Alberta, Canada

T.B. (Tunde) Folawiyo
Lagos, Nigeria

Jack W. Halpin
Calgary, Alberta, Canada

Stock Exchange Listing
Alberta Stock Exchange
Symbol (ABC)

Produced by Vicom Multimedia Inc. Printed in Canada by Ronalds Printing

Abacan Resource Corporation

Suite 1100
800–5th Avenue S.W.
Calgary, Alberta, Canada
T2P 3T6